

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

March 28, 2019

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, March 28, 2019 at 9:00 a.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh
Representative, Howard County Police Officers' Association, Lodge 21:
 Craig Hoover
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Members Absent

Director of Finance: Janet Irvin
Budget Director: Holly Sun
Representative, Fire and Rescue Supervisory Employees:
 Vincent Baker

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Deputy Director of Finance: Angie Price
Budget Director Designee: Janssen Evelyn
Employee Representative: Jeff Bronow

Representative, American Federation of State, County and
Municipal Employees Local 3080: Kim Drennon
Representative, American Federation of State, County and Municipal
Employees Local 3085: Dale R. Chase

Members Absent

None

Also present for all or a portion of the meeting were:

Lori Buchman, Department of Finance
Sima Taghavi, Department of Finance
Trevor Jackson and of AndCo Consulting
Margaret Belmondo and William Forde of Pension Consultants
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Teresa M. Reider, Retirement Coordinator
Scott Southern, Assistant Retirement Coordinator
Jamar Herry, Office of Law
Jonathan Miller - Department of Finance

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as Secretary.

Minutes of the February 23, 2019 meeting were unanimously approved by the members of both Committees.

Janssen Evelyn requested a correction to the January 31, 2019 minutes to reflect that he was absent and did not affirmatively vote on any issues.

While Holly Sun was absent for the meeting, Wanda noted that the County contributions that were recommended by the actuary (11.5% for the Employees Plan and 35.4% for the Police and Fire Plan) are in the fiscal year 2020 budget.

Next Terry Reider provided the Committee with a report on the retiree COLA. Terry noted that there are approximately 400 retirees in the Police and Fire Plan and approximately 800 retirees in the Employees Plan. Between the two Plans, approximately 100 new retirees are added each year. There are approximately 10 to 15 deaths each year. The eligible for a retiree COLA, a retiree must be in pay status for more than 12 months as of July 1, 2019. The retiree COLA for each Plan, which takes effect on July 1, 2019 is 0.8254%.

Next, James Dignan presented the report of Dodge & Cox on the performance of the fixed income portfolio that Dodge & Cox manages for the Howard County Master Trust as of March 28, 2019. The market value of the Howard County Master Trust account managed by the Dodge & Cox as of February 28, 2019 is approximately \$121 million. Since inception on May 31, 2010, the total portfolio has returned an annualized 4.35% gross of fees. This return compares favorably with the Bloomberg Barclays U.S. Aggregate Bond Index which returned 2.99%. For the year ending December 31, 2018, the portfolio returned 3.22% as compared with the index return of 3.17%. The returns were negatively impacted by an underweight to U.S. Treasuries. Mr. Dignan noted that Dodge & Cox is a bottom-up fixed income investor and relies on stock selection to the index. After completing the presentation and addressing questions from the Committee and consultants, Mr. Dignan left the meeting.

Next, Kevin Dunne of PIMCO provided the report on the Howard County Core Plus portfolio managed by PIMCO. The balance of the Howard County Master Trust account managed by PIMCO is approximately \$110 million. Since inception on April 27, 2019, the portfolio has returned 3.6% before fees 3.2% after fees as compared with the benchmark return of 3.0%. Mr. Dunne noted that the portfolio expects to turn 75 basis points for the benchmark net of fees. Mr. Dunne noted that PIMCO utilizes bottom-up and top-down mix. After completing the presentation and addressing questions from the Committee and consultants, Mr. Dunne left the meeting.

Next, Margaret Belmondo and Will Forde of Pension Consultants provided their market review, manager ratings and work plan for the balance of 2019. Margaret noted that NEPC is familiar with most of Howard County's managers and many are on NEPC'S performed list. Some of the managers have a neutral rating by NEPC or are not directly rated. More detailed manager review and manager fee study will be conducted during June and July, 2019.

Next, Jamar Herry provided a report on the negotiations with Robbins, Geller who provide portfolio monitoring for the Master Trust. Jamar noted that Robbins, Geller accepted most of the contract changes proposed and confirmed that there will be no cost to the Howard County Master Trust for the acquisition of data by Robbins, Geller.

Lonnie Robbins suggested that the Plans should have a more transparent search process for firms that will provide portfolio monitoring, and that the process should include a request for information. Upon motion made, duly made seconded and approved by the members of both Committees, it was resolved that the Committees approve the hiring of Robbins, Geller to provide the stock monitoring services for the Master Trust. However, the Committees will issue an RFI so that the Committees have the opportunity to review services provided by other fully monitoring firms.

Following the vote, Wanda Hutchinson appointed a subcommittee consisting of Dale Chase, Janssen Evelyn, Lonnie Robbins and Richard Ruehl and Jason Luckenbaugh to prepare a request for information and to provide recommendations on permanent portfolio monitoring services.

It was noted that this would be the final meeting for Trevor Jackson, the Committee thanked Trevor for his services.

At this point, the meeting for the Employees Plan adjourned and the Committee for the Police and Fire Plan discussed an issue relating to the calculation of DROP accounts under the Police and Fire Plan.

At the January 31, 2019 joint meeting, the Committees voted to change the assumed rate of return from 7.50% to 7.45%. This change impacts the “applicable interest rate” for purposes of calculating DROP II account balances in the Police and Fire Plan. The Plan defines applicable interest rates as 3.5% per annum provided that if the investment return rate as most recently adopted by the Committee, changes, the applicable interest rate shall be the investment return rate minus 4.0%.

The Plan does not directly indicate when the change in the applicable interest rate should be implemented. Terry Reider noted that in January 2019, one participant had already received a lump sum payout of his DROP II account before the adoption of the change in the assumed rate of return. The DROP II account payout included a calculation of the applicable interest rate during January of 2019. Such payouts are likely to reoccur in the future. Thus, it would be impractical to interpret the Plan in a manner that would require a change in the applicable interest rate to be effective on the first day of the month if the change was made. Terry proposed that the effective date of any change in the applicable interest rate should be the first day of the month after the Committee approves a change in the investment return rate.

After discussion and upon motion duly made, seconded and unanimously approved, it was resolved that the Committee, exercising its powers under Section 1.454A of the County Code determines that change to the applicable interest rate will be effective on the first day of the month following the option of a change to the investment return rate by the Committees.

There being no further business, the meeting of the Police and the Fire Committee adjourned.

Respectfully submitted,

Paul Madden

Paul W. Madden
Secretary of the Meeting

**EXHIBITS
TO
MINUTES OF HOWARD COUNTY POLICE AND FIRE EMPLOYEES'
RETIREMENT PLAN
AND HOWARD COUNTY RETIREMENT PLAN
JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

March 28, 2019

1. Presentation by Dodge & Cox - March 28, 2019
2. Presentation by PIMCO - March 28, 2019
3. Presentation by NEPC - March 28, 2019